

Message Text

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ACTION EUR-12

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E.O.11652: GDS
TAGS: EGEN, XH, NATO
SUBJECT: ECONADS: PROPOSED REPORT TO NORTH ATLANTIC COUNCIL ON
ECONOMIC TRENDS IN EASTERN EUROPE

REF: USNATO 05622

1. WE WOULD SUGGEST MODIFYING TWO POINTS IN OTHERWISE
VERY GOOD SUMMARY REPORT TRANSMITTED REFTEL.

2. HUNGARY SHOULD NOT BE SINGLED OUT AS AN EXCEPTION
TO THE CONCLUSION IN PARAGRAPH 7 THAT "... THE OUTLOOK IN
EASTERN EUROPE IS ONE OF A CONTINUATION OF ENERGY IMPORTS
AT INCREASINGLY HIGHER PRICES..." DESPITE EXPENSIVE
INVESTMENTS, COAL AND PETROLEUM PRODUCTION WILL SHOW
LITTLE OR NO INCREASE IN THE FORESEEABLE FUTURE. NATURAL
GAS PRODUCTION WILL INCREASE SOMEWHAT, BUT NOT NEARLY
ENOUGH TO OFFSET THE GROWING SHORTFALLS OF OTHER ENERGY
CARRIERS. IMPORTED ENERGY WILL CONTINUE TO GROW AS A
PERCENTAGE OF TOTAL ENERGY CONSUMPTION, WHILE DOMESTIC
PRODUCTION COSTS WILL RISE STEADILY. THUS, WE WOULD
DELETE REFERENCE TO HUNGARY AS AN EXCEPTIONAL CASE IN
THIS SENTENCE.

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3. HUNGARY IS AN EXCEPTION TO THE STATEMENT IN
PARAGRAPH 9 THAT "...EACH COUNTRY WAS ABLE TO REDUCE ITS
1977 TRADE DEFICIT...", LARGELY BECAUSE THE HUNGARIAN
AUTHORITIES DID NOT RESORT TO THE IMPORT-RESTRICTING
POLICIES TYPICAL OF MOST OTHER CEMA COUNTRIES IN 1977.
HUNGARY'S PUBLISHED HARD CURRENCY DEFICIT OF \$567 MILLION

IN 1977 WAS A SHARP INCREASE OVER 1976'S DEFICIT OF \$347
MILLION, ALTHOUGH BELOW THE RECORD 1974 DEFICIT OF \$582
MILLION. BECAUSE OF A REDUCED RUBLE-DENOMINATED DEFICIT,
THE OVERALL TRADE DEFICIT WAS UP ONLY SLIGHTLY FROM 1976
AND BELOW THE RECORD 1975 DEFICIT OF 38.5 BILLION FORINTS.
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